

# Innovation ecosystem and tourism

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## **Abstract**

The creation of an innovation ecosystem is becoming an important facilitator of sustainable development of any industry or community. In my article I intend to show the constituent elements of an innovation ecosystem within sustainable development models and suggest how this could be applied to tourism. Special emphasis will be placed on participants, tools, principles and types of innovation that can be present in such an ecosystem and I will draw examples from business and social environments. The article will also include recommendations on various courses of action and a list of issues that need to be addressed when the principles of innovation communication are applied to a specific environment.

Key words: innovation, innovation ecosystem, innovation communication, sustainable development, and tourism

## 1 Innovation ecosystem

An innovation ecosystem is a system made for innovation creation in an open, natural manner. When I say natural I mean that which enables a holistic understanding of needs, solutions and consequences related to innovation processes and innovation itself. It is a framework and environment where ideas can be created, tested, brought to the level of prototype (invention), and then, if accepted by the market, also commercialized or socially integrated (innovation), and last but not least, managed further on through a process of sustainable innovation.

They have been categorized into many different groups such as national innovation (eco) systems, regional innovation (eco)systems, local innovation (eco) systems, technological innovation (eco)systems, corporate and industry innovation (eco)systems (Wikipedia, 2010). They could also be established within a project team or informal groups.

An innovation ecosystem as a concept offers an opportunity for those in need of innovation to approach it in a structured way. Anyone can be innovative as long as there is a genuine interest and consistency in establishing a favorable environment to support it. The concept has been present throughout human history in various forms. However, only at the end of the last century innovation became a focus of the general public, especially the business community. Only then did innovation start to be recognized as proponent of value creation. In the (business) evolution model it succeeded the prime motivation of productivity and quality as the prime enablers of value creation which became entry factors for business success whereas innovation became the winning one (Bulc, 2006).

Academic theory has been lagging behind the escalating needs of business and social communities in terms of guidance in the development of innovation ecosystems. According to them, innovation and technology development result from a complex set of relationships among participants within the system, including enterprises, universities and research institutes. However, there is no consensus on the exact definition of an innovation (eco)system and the concept is still emerging. Innovation as the primary subject

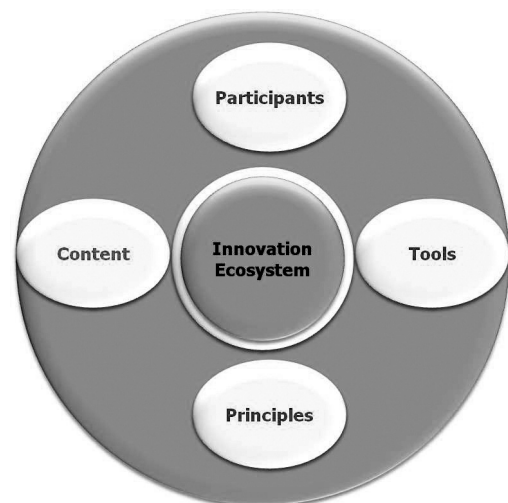
of such systems is often the result of the interaction among actors, and the term 'innovation ecosystem' is occasionally used to emphasize this (Wikipedia, 2010). So, the primary characteristics of a highly evolved innovation ecosystem is to enable participants to work beyond enterprise boundaries, focus on customer value creation, respond quickly to shifts in market demands, accelerate the transition from research to production and be more flexible and adaptive to change (Bergs, 2005). An innovation (eco)system is an interaction between people, enterprises and institution. An enhanced definition is that innovation (eco)systems embody technology and information flow between those needed to turn ideas into processes, products or services (Nordfors, 2009).

As we can see, most of the definitions available are derived from experience and practice. This article will try to explore the use of some »practice to theory« tools, especially the ones that I believe are most relevant for tourism.

### 1.1 The key elements of the innovation ecosystem

The key elements of the innovation ecosystem based on the Vibacom ([www.vibacom.si](http://www.vibacom.si)) and InCo ([www.inco-movement.si](http://www.inco-movement.si)) movement practices can be put in 4 major groups: participants, tools, content and principles.

Fig. 1: Elements of an innovation ecosystem

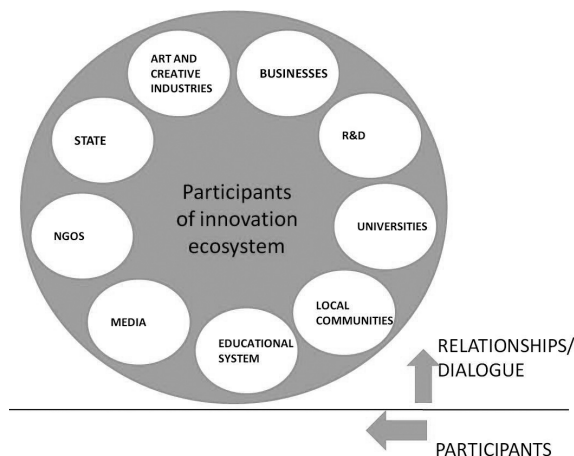


The primary motivation for effective management of those elements is the need to a) focus on customer value creation, b) quick responses in addressing the shifts in market demands, c) acceleration and transition from research to production, on d) turning ideas into benefits for customers in the form of products or services, but continuously, to be more adaptive to change.

### 1.1.1 Participants

Participants are those people, proponents of innovation ecosystems who bring ideas to the surface, put them in the business or social or political context and manifest them into reality.

Fig. 2: *InCo movement participants*



These ideas do not happen just because we decide so. This is where innovation differentiates itself from productivity and quality as former drivers of value creation. Those early drivers could be exploited by technology and predefined processes and monitoring systems. Innovation is happening within ourselves, within the relationships we have with other people, within our behavior patterns. Therefore, one of the most important imperatives for innovation is the creation of an arena where people can meet, discuss and explore different thoughts, experiences, challenges and possibly failures and thereby encourage each other. Furthermore, we have learnt that there is a higher level

of creativity present when representatives from diverse groups and experiences join in dialogue.

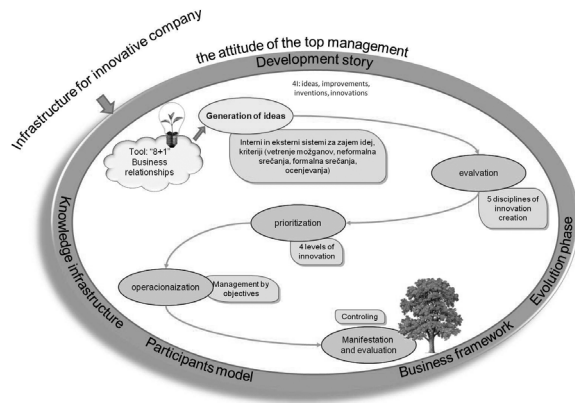
The Innovation Communication movement (InCo) for innovative breakthroughs (Vibacom, 2009), for example, invited to an open dialogue, representatives from many segments of our society to support an open space innovation to explore the process of creation of innovative society on a state level and beyond. A positive experience of an open space environment based on a model of participants is also shared by BTC d.d.. They invited customers, suppliers, students, youth, thinkers and employees into their process of creative thinking and gained access to many new ideas. The results of both cases are very encouraging and show a possible path towards innovative society.

### 1.1.2 Tools

The recommended tools that are part of innovation infrastructure help us to define an innovation ecosystem. They keep us focused on the key elements that encourage the creative spirit to be active. They also focus our thoughts and actions. At the same time they remind us to stay interconnected with the space around us. The list is not a closed set of tools, on the contrary, it is a dynamic array that needs to be redefined based on the needs and types of issue that we are addressing and also the type of people we are addressing.

However, I would like to argue that there are few that are the necessary ones, especially for maintaining the innovation ecosystem sustainable. The first one is the logical framework that is like an organizational footprint, its unique identity. In order to allow people to serve system development, they need to know what the vision of the system is; long term goals, the state of being that they need to bring the system to. The next is mission, which defines what the qualities are that the system is bringing. Sets of values explain the framework of behavior that the members of the ecosystem need to follow. Sets of core competences explain what is the natural way of doing things for such a system. In fact, each organism has a unique set of fundamental abilities that are the source of creativity and as such, a basic platform for innovation.

Fig. 3: Tools of innovation infrastructure



In addition to these core elements of the system framework, it is also recommended to set a clear plan for the goals and key strategies for a specific period, which can then serve as guides and check points on our way to attaining the vision target.

The second one I would like to stress is the innovation process. It consists of 5 major phases: the generation of ideas, the evaluation and prioritisation of ideas, the manifestation of ideas which have the potential of value creation (inventions), the market capitalisation of manifested ideas (innovation), and sustainable development of innovation. The challenge of these phases is that each of them needs a specific set of competences and set of tools in order to support value creation at the end of the cycle.

The third one is technology. We are a civilisation of technological breakthroughs. So, no matter in which industry or branch we exist, we cannot ignore the impact that technological development has on our daily work and life. For example, those who overlooked the importance of mobile communication and internet technologies got themselves into serious trouble (even in tourism). The travel agencies which have poor internet support are losing customers daily. The television and radio shows that do not support their programmes with internet based applications are dying out, and events without electronic registration are seriously challenged.

Amongst all, Innovation Communication seems to be the latest popular, and increasingly essential tool of innovation ecosystems. The importance of communicating points of view, thoughts, solutions, and outcomes and their impact on others on a short or long term view, is an important incentive for the development of innovative consciousness, on the side of the customer, supplier and general public. In this context, media has achieved a special role within the innovation ecosystem as an advocate of change, innovation values and best practices. A proactive, advanced media can really escalate the overall understanding, importance and the impacts that innovation can make to a society. Sweden recognized that first when VINNOVA, the concept of innovation journalism was launched worldwide. (InJo). "Innovation journalism identifies and reports on issues in innovation ecosystems such as emerging concepts, interaction between the principal actors or what is happening in innovation value chains. It can combine angles and indicators on innovation that usually categorise thus: trends in science and technology, intellectual property, finance, standardization, industrial production processes, the marketing of new products or services, business models, politics, cultural trends, and more" (Nordforse, 2009). The Inco movement extended that definition to InCo (Innovation communication). The movement recognized that the need for InJo reporting is present not only in the relationship media-readers, but in all types of relationships where we have a creator of information on innovation and the (potential) audience. In all such relationships there is a need for a new type of dialogue that can enlarge the space of creation. Therefore today, innovation space is expanding, with the help of innovation communication in several new spheres, creating more and more of an open space of common awareness and knowledge (Vibacom, 2009).

Of course, all these tools do not matter much if they are not logically connected and managed well. Currently we are lacking innovative and innovation managers who would create new models, processes, concepts (innovative managers), as well as able to manage innovation ecosystems to the point that each

person involved can develop his/her full potential (innovation managers). Who will break the old habits of linear instructions and governance and openly step into a network organizational structures that are dynamic, non-hierarchical and constantly transforming? No business schools train for these types of skills and for such environments. So, we are back to the process « from practice to theory» and conscious individuals that feel the moment.

### 1.1.3 Content

The primary contents of innovation ecosystems, are ideas and transformative forms of the original idea all the way to market manifestation (idea, enhancement, invention, innovation). The biggest challenge of any system, is motivating people to think, to generate ideas, to be actively present. How do we know which ideas are right for our ecosystem? Do they have a potential for value creation? Have they been placed at the right time? Do they create the potential that we need and can manage? Well, it's not an insignificant matter. However, we've got great support form a simple model used by Stanford Research Institute called »5 disciplines of value creation« (Carlson & Wilmot, 2006) that offers a dependable framework for the evaluation of ideas, and also for setting up the right team for it. It is clearly stated that each idea needs to support a customer need, being internal or external by nature. The need we can either recognise or create. The second important clarification comes from capability of value proposition that we are making for the defined needs. If idea generators cannot clearly specify these two propositions, it is advisable not to support them.

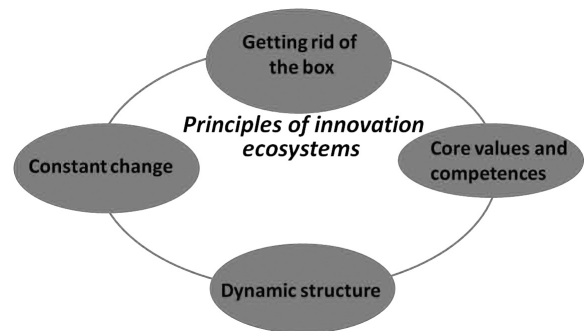
Once the need and the value proposition are clear, then we need to talk to idea generator(s) if he/she is willing to become a champion of the created idea. It is risky to assign ideas with potential for innovation to a third party. Ideas that are carried out by the generator have a higher chance of being successfully implemented on the market than ones that are re-assigned to another (Carlson & Wilmot, 2006). In addition, you allow the idea generator to create his or her own team in order to eliminate their own inherent weaknesses and to

feel responsible for the team during the project. The fifth discipline talks about the need for innovation ecosystem to provide to the participants a means for sustainable innovation.

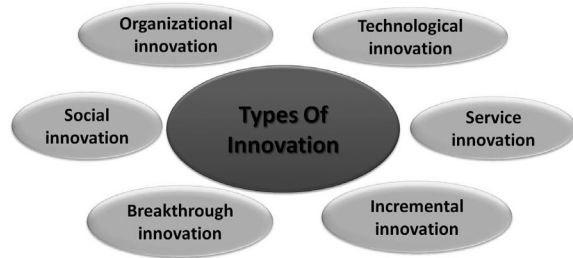
### 1.1.4 Principles

It is also useful when creating an innovation ecosystem to think about some basic principles, which attempt to break through the existing linear concepts and liberate creative process.

Fig. 4: Principles of innovation ecosystems



Among these, one I would like to especially emphasise is, – »getting rid of the box«. Exercising innovation as the key energiser for value creation requires from us, not only to step out of the box, but also to get rid of the box entirely. To continuously reflect on life, society, and customer segments in a unique way, based on core values and competences. And if our actions are based on these enablers and well used in innovation process, we create a unique relationship with a market that nobody else can. With products and services we nourish and nurture this relationship further in an evolving and dynamic way. So, we can safely say that we enter a market without competition. We have used this approach well in our consulting practice and have helped many companies to become more successful in a sustainable manner.

Fig. 5: *Types of innovation*

## 2 Types of innovation

Innovation can appear in different areas and in different formats based on the subject of innovation or how far the innovation reaches into a business practice. Based on the subjects we can talk about, social (stress on new relationships among different participants, new social structures, new political systems, etc.) organizational (aiming at new organizational models, business models, new processes, tools for development of organizational capital: physical, intellectual, emotional, spiritual and social), technological (new materials, new machines, artificial intelligence, new functions of existing products, etc.), and service innovation (new ways of connecting intangible products to be offered to the market). It is important that we explore all types of innovation to see which can create for us the highest value, and where can we capitalize best.

The categorisation based on how far innovation can reach has been made by a management guru by the name of Druker (Drunker, n. d.). He encourages us to think how we can make improvements within the existing systems and processes, re-think the way we do business, connect different participants, industries (cross border thinking) or even create a new greenfield entirely (innovation breakthrough). All these could be an inspiration when we search for our winning product, service, approach or a model for value creation.

## 3 Innovation ecosystem in tourism

Based on what has been presented about the innovation ecosystem so far, let us now see what it could mean for tourism. Tourism, like any other sector, needs to explore the opportunities of innovation and include it in value creation. It must become highly sensitive to customer perception, values, illusions, dreams, needs and expectations and also remain very alert for political, social and economic vibrations under the impact of the laws of nature and human activities. An important impact has been created by new technologies especially within the areas of the purchasing, information seeking, and decision-making parts of tourism.

We can see that generally, tourist service providers have made the first adjustments. More and more the products offered are targeting specific niche markets. More and more customers are searching for authentic experiences. These can come either in a form of a program itself, well kept local secrets, or both. An interesting dynamic has been presented by the ongoing growth of social groups on the internet that are not only a source of opinions and recommendations but are forming an interesting chain of virtual tourist programs that are pushing the traditional service providers out of the value chain (at least at one segment – adventurer, however, it is just a matter of time until it gets spread to others, as well). At the same time a new opportunity has been created for new types of employment (like seekers of the best air ticket deals) that will emerge more in a form of advisers, information collectors and information organizers.

There are still a lot of additional opportunities. One of them is in the communication of innovation in tourism. The innovation communication principles offer a solid framework that can be used as a support in creating a story for the public. In articles on innovation it is important that the author tells what is innovative about the particular subject, what kind of impact this subject has on the industry (tourism), what kind of impact it has on other industries, what is the future impact of this innovation and who are the participants involved in developing this innovation. When communicating innovation to a customer two

very important elements need to be emphasised: ie. which needs the innovation is addressing and what is the value proposition for the customer.

Next, is also in cross-border thinking. Connecting tourism better horizontally, placing it as part of a larger innovation ecosystem, following an old Buddhist saying: “the more we are connected, then the more we are free”. We should be able to integrate tourism as part of our daily life, not as an exception. Along the same lines, with observing social behavior and life values, tourism has a great opportunity to create a new breakthroughs in type of services and products that are better integrated in our daily lives. An important support in reaching this goal could be found in modern technology.

And finally, a more professional approach to innovation within the industry. To use business skeleton more often, segmentation of customers, consultation

with employees and other participants of innovation ecosystem to find solutions in different categories of innovation, constantly re-defining the processes, boundaries and common perceptions.

## 4 Conclusions

Understanding innovation ecosystems, their successful management and development, in a sustainable manner will be the key elements of success in tourism, as well. It is up to the people involved how proactive and advanced their thoughts and visions will be. Will tourism continue to emerge as an independent industry, or will it merge with one of the future new sectors or industries that the global innovation ecosystem will provide? One thing is certain, innovation is changing not old business practice, but social behaviour also, and as such offers a new paradigm for human evolution. How will the tourism respond to that?

# Inovacijski ekosistem in turizem

## Povzetek

Vzpostavljanje inovacijskih ekosistemov postaja pomemben vzvod trajnostnega razvoja tako v različnih industrijskih panogah kot tudi skupnostih. V mojem prispevku nameravam opozoriti na bazične elemente inovacijskih ekosistemov in njihovo vpenjanje v modele trajnostnega razvoja ter nakazati povezavo le-teh s turizmom. Poseben poudarek je namenjen deležnikom, orodjem, principom in vrstam inovacij, ki se pojavljajo v inovacijskih ekosistemih. Pri tem so nakazane smeri razvoja podkrepljene s primeri iz poslovnega in družbenega okolja. Prispevek vključuje tudi priporočila za razvoj inovacijskih ekosistemov in za obvladovanje izzivov, na katere pogosto naletimo pri njihovem razvoju, še posebno na področju inovacijskega komuniciranja in v povezavi z značilnostmi okolja.

Ključne besede: inovacije, inovacijski ekosistemi, inovacijsko komuniciranje, trajnostni razvoj, turizem

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